

# STATE OF NEVADA

## GAMING CONTROL BOARD



### MINIMUM INTERNAL CONTROL STANDARDS

**Note:** When adopted in 1997, these standards applied to both Group I and Group II licensees. In February 2000, the Nevada Gaming Commission amended the definition of “Group II licensee” and revised Regulation 6.090 to require that Group II licensees (i.e., redefined as those licensees with annual gross gaming revenues of less than \$3 million) follow Internal Control Procedures rather than the Minimum Internal Control Standards. Therefore, although these standards make numerous references to Group II licensees, these standards no longer apply to such licensees – they only apply to those licensees with annual gross gaming revenues of \$3 million or more. References to Group II licensees will be deleted with the next formal revision of the Minimum Internal Control Standards.

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## **COMPUTERIZED KENO**

**Note: A shift is any time period, designated by management, up to 24 hours.**

### ***Game Play Standards***

1. The computerized customer ticket includes the date, game number, ticket sequence number, station number, and conditioning (including multi-race if applicable).
2. Concurrently with the generation of the ticket the information on the ticket is recorded on a restricted transaction log or computer storage media.
3. Keno personnel are precluded unrestricted access to the restricted transaction log or computer storage media.
4. When it is necessary to void a ticket, the void information is input in the computer and the computer documents the appropriate information pertaining to the voided wager (e.g., void slip is issued or equivalent documentation is generated).
5. Controls exist to prevent the writing and voiding of tickets after a game has been closed and after the number selection process for that game has begun.
6. The controls in effect for tickets prepared in outstations (if applicable) are identical to those in effect for the primary keno game.

### ***Number Selection***

#### **Rabbit Ear System**

7. A camera is utilized to film the following both prior to, and subsequent to, the calling of a game: empty rabbit ears, date and time, game number, and full rabbit ears.
8. The film of the rabbit ears provides a legible identification of the numbers on the balls drawn.
9. Keno personnel immediately input the selected numbers in the computer and the computer documents the date, game number, the time the game was closed, and the numbers drawn.
10. Procedures are in effect which prevent unauthorized access to keno balls in play.
11. Back-up keno ball inventories are secured in a manner to prevent unauthorized access.
12. Effective procedures are established for inspecting new keno balls put into play as well as for those in use.

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### **Random Number Generator**

**The random number generator must have received Board and Commission approval as a gaming device.**

13. The random number generator is linked to the computer system and directly relays the numbers selected into the computer without manual input.
14. Keno personnel are precluded access to the random number generator.

### ***Winning Ticket Verification and Payment***

15. The sequence number of tickets presented for payment is input into the computer, and the payment amount generated by the computer is given to the patron.
16. Procedures are established to preclude payment on tickets previously presented for payment, unclaimed winning tickets (sleepers) after a specified period of time, voided tickets, and tickets which have not been issued yet.
17. All payouts are supported by the customer (computer-generated) copy of the winning ticket (payout amount is indicated on the customer ticket or a payment slip is issued).
18. A manual report is produced and maintained documenting any payments made on tickets which are not authorized by the computer.
19. Winning tickets over a specified dollar amount (not to exceed \$10,000 for locations with more than \$5 million annual keno write and \$3,000 for all other locations) also require the following:
  - a. Approval of management personnel independent of the keno department evidenced by their signature.
  - b. Reviewing the videotape or developing the film of the rabbit ears to verify the legitimacy of the draw and the accuracy of the draw ticket (for rabbit ear systems only).
  - c. Comparison of the winning customer copy to the computer reports.
  - d. Regrading of the customer copy using the payout schedule and draw information.
  - e. Performance of all of the above is documented and maintained.
20. When the keno game is operated by one person, all winning tickets in excess of an amount to be determined by management (not to exceed \$1,500) must be reviewed and authorized by someone independent of the keno department.

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### ***Check Out Standards***

21. For each writer station a cash summary report (count sheet) is prepared at the conclusion of each shift that includes:
- a. Computation of net cash proceeds for the shift and the cash turned in.
  - b. Signatures of two employees who have verified the net cash proceeds for the shift and the cash turned in.

### ***Promotional Payouts and Awards***

**Compliance with the following standards is required if the cost of personal property or bonus and promotional payouts are deducted from keno revenue.**

22. The payout form/documentation includes the following information:
- a. Date and time.
  - b. Dollar amount of payout or description of personal property (e.g., jacket, toaster, car, etc.).
  - c. Type of promotion.
  - d. Signature of at least one employee authorizing and completing the transaction.

### ***Statistics***

23. Records are maintained which include win and write by individual writer for each day.
24. Records are maintained which include (for each licensed game) win, write, and win-to-write hold percentage for:
- a. Each shift (unless the keno game operates on a single 24-hour shift basis).
  - b. Each day.
  - c. Month-to-date.
  - d. Year-to-date.
25. Non-keno management reviews keno statistical data at least on a monthly basis and investigates any large or unusual statistical variances.

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26. At a minimum, investigations are performed for statistical percentage fluctuations from the base level for a month in excess of +/- 3%. The base level is defined as the licensee's win percentage for the previous business year or the previous 12 months.
27. Such investigations are documented and maintained.

***System Security Standards***

28. All keys (including duplicates) to sensitive computer hardware in the keno area are maintained by a department independent of the keno function.
29. Someone independent of the keno department is required to accompany such keys to the keno area and observe changes or repairs each time the sensitive areas are accessed.

***Documentation***

30. Adequate documentation of all pertinent keno information is generated by the computer system.
31. This documentation is restricted to authorized personnel.
32. The documentation is to include, at a minimum:
- a. Ticket information (as described in Standard 1).
  - b. Payout information (date, time, ticket number, amount, etc.).
  - c. Game information (number, ball draw, time, etc.).
  - d. Daily recap information which includes:
    - 1) Write.
    - 2) Payouts.
    - 3) Gross revenue (a.k.a. win).
  - e. System exception information, including:

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- 1) Voids.
  - 2) Late pays.
  - 3) Appropriate system parameter information (e.g., changes in pay tables, ball draws, payouts over a predetermined amount, etc.).
- f. Personnel access listing which includes at least:
- 1) Employee name.
  - 2) Employee identification number.
  - 3) Listing of functions employee can perform or equivalent means of identifying same.

### ***Keno Audit***

**Note 1: Board approved software may be used to perform some of the auditing standards.**

**Note 2: When a multi-race ticket is part of the sample selected in Standards 35(b), 37(a), and 38, the procedures can be performed for 10 games or 10% of the games won, whichever is greater.**

33. The keno audit function is independent of the keno department.
34. At least annually, keno audit will foot the write on the restricted copy of the keno transaction report for a minimum of one shift and compare the total to the total as documented by the computer.
35. For at least one shift every other month keno audit performs the following:
  - a. Foot the customer copy of the payouts and trace the total to the payout report.
  - b. Regrade at least 1% of the winning tickets using the payout schedule and draw ticket.
36. Keno audit also performs the following:
  - a. For a minimum of five games per week, compare the videotape/film of the rabbit ears to the computer transaction summary.
  - b. Compare net cash proceeds to the audited win/loss by shift and investigate any large cash overages or shortages (i.e., in excess of \$25.00).
  - c. Review and regrade all winning tickets greater than or equal to \$1,500, including all forms which document that proper authorizations and verifications were obtained and performed.

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- d. Review the documentation for payout adjustments made outside the computer and investigate large and frequent payments.
  - e. Review personnel access listing for inappropriate functions an employee can perform.
  - f. System exception information is reviewed on a daily basis for propriety of transactions and unusual occurrences including changes to the personnel access listing.
  - g. If a random number generator is used, then at least weekly the numerical frequency distribution is reviewed for potential patterns.
  - h. All noted improper transactions or unusual occurrences are investigated with the results documented.
37. When the keno game is operated by one person:
- a. The customer copies of all winning tickets in excess of \$100 and at least 5% of all other winning tickets are regraded and traced to the computer payout report.
  - b. The videotape/film of rabbit ears is randomly compared to the computer game information report for at least 10% of the games during the shift.
  - c. Keno audit personnel review winning tickets for proper authorization pursuant to Standard 20.
38. In the event any person performs the writer and deskman functions on the same shift, the procedures described in Standard 37(a) and (b) (using the sample sizes indicated) are performed on tickets written by that person.
39. Documentation (e.g., a log, checklist, etc.) is maintained evidencing the performance of all keno audit procedures.
40. Non-keno management reviews keno audit exceptions, and performs and documents investigations into unresolved exceptions.

***Miscellaneous***

41. All documents, including computer storage media, discussed in these standards must be retained for 5 years except for the following which must only be retained for at least 7 days:

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- a. Videotape/film of rabbit ears.
- b. All copies of losing keno tickets.
- c. All copies of winning keno tickets of less than \$1,500.
- d. The information in Standard 32(a), (b), and (c).

**Note: The customer presented inside ticket does not need to be maintained.**

***Multi-Race***

- 42. Procedures are established to notify keno personnel immediately of large multi-race winners to ensure compliance with Standard 19.
- 43. Controls exist to ensure that keno personnel are aware of multi-race tickets still in process at the end of a shift.